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S E C R E T SAN SALVADOR 000143

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SUBJECT: EL SALVADOR ELECTION UPDATE: FEBRUARY 12

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Classified By: Charge d'Affaires, for reasons 1.4 (b) and (d)

¶1. (U) Summary: This is an update regarding the presidential elections scheduled for March 15. This report covers the economic debate between economic advisors from the (left-wing) Farabundo Marti Front for the National Liberation Party (FMLN) and the (pro-U.S., center right) Nationalist Republican Alliance Party (ARENA); public opposition by the Ombudsman for Human Rights to the use of children in political campaigns; the ARENA and FMLN attempts to woo San Miguel Mayor Wil Salgado, a member of the (pro-U.S., center right) Christian Democratic Party (PDC); and the controversy surrounding the removal of (center-right) National Conciliation Party (PCN) presidential candidate Tomas Chevez from the ballot. Overall, the race has tightened and is too close to call.

A PUBLIC DEBATE ON ECONOMIC ISSUES

¶2. (U) With less than six weeks until the March 15 presidential election, economic advisors from ARENA and the FMLN held a televised economic debate February 8. The debate covered the parties, economic plans, the ongoing economic crisis, employment, and tax issues. Gerson Martinez, the FMLN economic advisor and returning Legislative Assembly deputy, and Alexander Segovia, economic advisor to FMLN presidential candidate Mauricio Funes, stressed that the FMLN plan represented a conceptual change from the past, and reflected general ideas that would be fully developed once they are in government. On the other hand, Ambassador Rene Leon, ARENA Platform Coordinator, and Rafael Lemus, the ARENA platform Coordinator for Economic Issues, focused on promoting specific proposals from the ARENA plan.

¶3. (U) Leon said that ARENA would promote employment in specific high-value sectors, including textiles, tourism, agriculture, call centers, housing, and logistics. The FMLN plan would focus on small and medium enterprises, which Segovia said would generate the most employment. Martinez also promoted the FMLN's first job8 program, where the government would pay one month of the annual salary of an employee in his first job.

¶4. (U) Both parties stated that they would not raise the Value-Added Tax and both are considering introducing a property tax. The FMLN's fiscal/tax policy would focus on reducing tax evasion, and contraband, which Martinez estimated would free at least \$300 million per year. Lemus responded that studies show that even developed countries have a hard time reducing evasion below 25 percent, so the FMLN's plan was not feasible. Segovia also proposed a fiscal pact, where the FMLN would consult all sectors of society about how to raise tax revenues, with a goal of

increasing the tax burden to 16-17 percent of GDP. Leon noted that the Guatemalans had been debating a fiscal pact (which Segovia helped develop) for nine years without agreement. On the other hand, Leon said that ARENA's fiscal policy would rely not just on increasing tax collection and improving expenditures, but also external financing, donations, and agreements between government and the private sector. Segovia responded that ARENA's fiscal proposals were too small and would not raise enough revenue to cover the expenses outlined in their plan.

PDDH OPPOSES USE OF CHILDREN IN CAMPAIGN

5.(U) ARENA Presidential candidate Rodrigo Avila visited Cinquera, Cabanas February 6, and, according to local media reports, was received by students chanting FMLN anthems and waving FMLN flags. The media also reported that some FMLN sympathizers burned ARENA flags. In response to the event, Ombudsman for Human Rights Oscar Luna publicly condemned the use of children in political campaigns and urged the FMLN and the Ministry of Education to take corrective measures. The FMLN responded by saying the students merely reacted to provocation by ARENA. The Minister of Education announced February 9 that teachers involved in the incident will be suspended for 60 days without pay.

WHO WILL THE MAYOR OF SAN MIGUEL ENDORSE?

6.(U) Since the PDC and PCN decided to withdraw their presidential candidates (see below), both ARENA and the FMLN ramped up efforts to secure the endorsements of influential officials, particularly the popular mayor of San Miguel, Wil Salgado. San Miguel holds approximately 330,000 voters, enough to assure either party a solid victory. The department of San Miguel traditionally favors the left, and the January 18 Legislative Assembly elections followed this trend. However, the municipality of San Miguel is led by the popular PDC mayor, who is thought to have significant influence over voters. (Note: Salgado has consistently drawn votes as mayor, despite switching parties three times since 2000.) Salgado has yet to make an official endorsement, but has in the past said that ARENA's plan would better support the development of San Miguel.

PCN EXPELS PRESIDENTIAL CANDIDATE FROM PARTY

7.(C) In the wake of the February 2 withdrawal by PDC candidate Carlos Rivas Zamora from the presidential race (reftel), speculation spread through the media about the future of PCN candidate Tomas Chevez' bid. Chevez was adamant about remaining in the race, but on February 4, following consultation with the TSE on mechanisms to end his candidacy without Chevez' consent, the PCN expelled him from the party, thereby terminating his campaign. The PCN subsequently threw its support squarely behind Rodrigo Avila and the ARENA campaign. The absence of smaller party candidates removes the possibility of a runoff in the presidential elections; the March 15 vote should be definitive.

8.(U) Tomas Chevez, former PCN presidential candidate, appealed the party's decision to terminate his candidacy before the Supreme Electoral Tribunal. Chevez said the action was taken in violation of due process. He says the decision should have been made by the PCN General Assembly. Chevez claimed to have the support of 35 municipal directors, and said that PCN Secretary General Ciro Cruz Zepeda should be removed from the party.

9.(C) PCN Deputy Col. Jose Antonio Almendariz told PolCouns February 12 he was concerned that the manner in which PCN Secretary General Ciro Cruz Zepeda had orchestrated the

expulsion of former candidate Tomas Chevez would backfire. While the party leadership was beholden to Cruz Zepeda, party activists who had supported Chevez were furious and, despite assertions to the contrary, were not certain to support Avila in the March 15 vote. Almendariz suggested the best thing Cruz Zepeda could do for Avila right now would be to throw publicly his support behind the FMLN, s Mauricio Funes. Almendariz, who had refused to sign the order expelling Chevez from the PCN, said he and others were now working the evangelical church circuit to explain why PCN voters should support ARENA and to try and ensure those voters would not support Funes. Almendariz said he feared Funes was likely to win the March 15 election.

-----EQk{q9QKQE_VAS ZAMORA ON DISAPPEARING CANDIDATES

10.(S/NF) Former PDC candidate Carlos Rivas Zamora told Polcouns February 11 he had been approached by someone he believed to be a representative of the FMLN and offered one million USD not to be used for his campaign, but for him in exchange for agreeing to pull out of the race when instructed. Rivas Zamora said he refused, but he believed former PCN candidate Chevez had accepted USD 500,000 and was now hoping for &forgiveness8 from the donors as he had been expelled from the PCN and thus removed from the March 15 ballot earlier than the donors had desired. Rivas Zamora said he hoped for Chevez, sake the donors were understanding, as they struck him as mafia-esque. Rivas Zamora was personally disappointed that his campaign had ended when it did, but believed it was best for El Salvador in order to prevent a Funes victory. He said he has been informally offered) though not as a quid pro quo -- several positions in an Avila government: Consumer Advocate (Defensor del Consumidor), Ambassador to Ecuador, and Solicitor General.

11. (C) Comment: Power struggles notwithstanding, the PDC and PCN do not want to see an FMLN president, and their recent maneuvers demonstrate that they will do whatever they deem necessary to reach that end. Along with ARENA, the parties have decided that the March 15 election is Rodrigo Avila's best chance at winning, and all have now made a decisive commitment to realizing that goal. ARENA has gained momentum from its victory in the San Salvador mayor's race, which (1) burst the FMLN's aura of invincibility and (2) awoke the ARENA sleeping giant. The race for president is now in a fierce and tightly-contested phase.

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